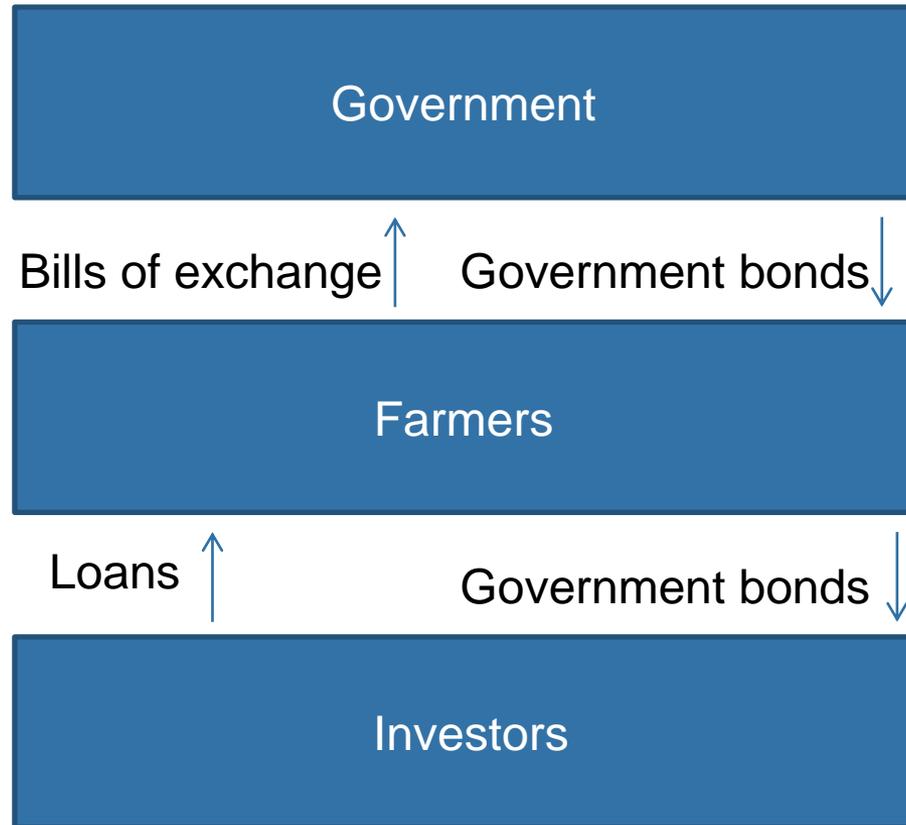


Comments on
"Financial markets: Productivity,
Procyclicality and Policy"

Jan F. Qvigstad, Norges Bank

The 1819 non-banking transaction



The Norwegian banking crisis

Capital injections 1988-93	In per cent of 1987 total assets	In per cent of 1987 GDP
Kreditkassen	9.2%	1.7%
Den norske Bank	3.3%	1.0%
Fokus Bank	10.0%	0.6%
Sum three large banks		3.4%

Citigroup, Terra Securities and Norwegian municipalities



The city hall of Vik in western Norway



NBIM Instrument Universe – Changes 2008-2011

Asset Class	Approved	
	2008	2011
Equity	27	20
Exchange Traded Derivatives	2	2
Exchange Traded Equities & Funds	24	17
OTC Derivatives	1	1
Fixed Income	59	39
Bonds	28	19
Exchange Traded Derivatives	10	4
OTC Derivatives	15	10
Repurchase Agreements	6	6
Cash & FX	5	5
Cash	1	1
Deposits	1	1
FX	3	3

Exchange Traded Equities & Funds:

Removed: Exchange Traded Funds (ETFs), Listed Mutual Funds, Publicly Traded Partnerships, etc

EQ OTC Derivatives:

Approved: Single Equity Swap

Bonds:

Removed: Asset Backed Securities (ABS), Collateralized Mortgage Obligations (CMO), Non-agency Mortgage Backed Securities (MBS), etc

Fixed Income OTC Derivatives:

Removed: Cross currency swaps, ABS Indices, CMBS Indices (CMBX), etc

Approved: Credit Default Swap (CDS) single name and some un-tranched indices, Currency options (COP), Interest rate swaps (IRS)

On the sectoral allocation of capital

- At the core of Minsky's explanation of the unstable credit cycle is the interaction between asset prices and credit growth
- If such effects create the potential for excessive credit growth in aggregate, they must also logically create the potential for a misallocation of credit

Adair Turner in a speech given on 29 September 2011